



# GENERAL ASSEMBLY

## COMMONWEALTH OF KENTUCKY

### 2013 REGULAR SESSION

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HOUSE BILL NO. 313

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FRIDAY, FEBRUARY 22, 2013

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The following bill was reported to the Senate from the House and ordered to be printed.

RECEIVED AND FILED  
DATE March 22, 2013  
3:06pm  
ALISON LUNDERGAN GRIMES  
SECRETARY OF STATE  
COMMONWEALTH OF KENTUCKY  
BY R. Adler

1 AN ACT relating to motor vehicles.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 132.020 is amended to read as follows:

4 (1) The owner or person assessed shall pay an annual ad valorem tax for state purposes  
5 at the rate of:

6 (a) Thirty-one and one-half cents (\$0.315) upon each one hundred dollars (\$100)  
7 of value of all real property directed to be assessed for taxation;

8 (b) One and one-half cents (\$0.015) upon each one hundred dollars (\$100) of  
9 value of all privately owned leasehold interests in industrial buildings, as  
10 defined under KRS 103.200, owned and financed by a tax-exempt  
11 governmental unit, or tax-exempt statutory authority under the provisions of  
12 KRS Chapter 103, upon the prior approval of the Kentucky Economic  
13 Development Finance Authority, except that the rate shall not apply to the  
14 proportion of value of the leasehold interest created through any private  
15 financing;

16 (c) One and one-half cents (\$0.015) upon each one hundred dollars (\$100) of  
17 value of all qualifying voluntary environmental remediation property,  
18 provided the property owner has corrected the effect of all known releases of  
19 hazardous substances, pollutants, contaminants, petroleum, or petroleum  
20 products located on the property consistent with a corrective action plan  
21 approved by the Energy and Environment Cabinet pursuant to KRS 224.01-  
22 400, 224.01-405, or 224.60-135, and provided the cleanup was not financed  
23 through a public grant or the petroleum storage tank environmental assurance  
24 fund. This rate shall apply for a period of three (3) years following the Energy  
25 and Environment Cabinet's issuance of a No Further Action Letter or its  
26 equivalent, after which the regular tax rate shall apply;

27 (d) One and one-half cents (\$0.015) upon each one hundred dollars (\$100) of

- 1 value of all tobacco directed to be assessed for taxation;
- 2 (e) One and one-half cents (\$0.015) upon each one hundred dollars (\$100) of  
3 value of unmanufactured agricultural products;
- 4 (f) One-tenth of one cent (\$0.001) upon each one hundred dollars (\$100) of value  
5 of all farm implements and farm machinery owned by or leased to a person  
6 actually engaged in farming and used in his farm operations;
- 7 (g) One-tenth of one cent (\$0.001) upon each one hundred dollars (\$100) of value  
8 of all livestock and domestic fowl;
- 9 (h) One-tenth of one cent (\$0.001) upon each one hundred dollars (\$100) of value  
10 of all tangible personal property located in a foreign trade zone established  
11 pursuant to 19 U.S.C. sec. 81, provided that the zone is activated in  
12 accordance with the regulations of the United States Customs Service and the  
13 Foreign Trade Zones Board;
- 14 (i) Fifteen cents (\$0.15) upon each one hundred dollars (\$100) of value of all  
15 machinery actually engaged in manufacturing;
- 16 (j) Fifteen cents (\$0.15) upon each one hundred dollars (\$100) of value of all  
17 commercial radio, television, and telephonic equipment directly used or  
18 associated with electronic equipment which broadcasts electronic signals to an  
19 antenna;
- 20 (k) Fifteen cents (\$0.15) upon each one hundred dollars (\$100) of value of all  
21 property which has been certified as a pollution control facility as defined in  
22 KRS 224.01-300;
- 23 (l) One-tenth of one cent (\$0.001) upon each one hundred dollars (\$100) of value  
24 of all property which has been certified as an alcohol production facility as  
25 defined in KRS 247.910, or as a fluidized bed energy production facility as  
26 defined in KRS 211.390;
- 27 (m) Twenty-five cents (\$0.25) upon each one hundred dollars (\$100) of value of

1 motor vehicles qualifying for permanent registration as historic motor vehicles  
 2 under the provisions of KRS 186.043;

3 (n) Five cents (\$0.05) upon each one hundred dollars (\$100) of value of goods  
 4 held for sale in the regular course of business, which includes:

5 1. Machinery and equipment held in a retailer's inventory for sale or lease  
 6 originating under a floor plan financing arrangement;~~[- and]~~

7 2. Motor vehicles:

8 a. Held for sale in the inventory of a licensed motor vehicle dealer,  
 9 including licensed motor vehicle auction dealers, which are not  
 10 currently titled and registered in Kentucky and are held on an  
 11 assignment pursuant to the provisions of KRS 186A.230; or

12 b. That are in the possession of a licensed motor vehicle dealer,  
 13 including licensed motor vehicle auction dealers, for sale,  
 14 although ownership has not been transferred to the dealer;

15 3. Raw materials, which includes distilled spirits and distilled spirits  
 16 inventory;~~[-]~~ and

17 4. In-process materials, which includes distilled spirits and distilled spirits  
 18 inventory, held for incorporation in finished goods held for sale in the  
 19 regular course of business;

20 (o) Ten cents (\$0.10) per one hundred dollars (\$100) of assessed value on the  
 21 operating property of railroads or railway companies that operate solely within  
 22 the Commonwealth;

23 (p) One and one-half cents (\$0.015) per one hundred dollars (\$100) of assessed  
 24 value on aircraft not used in the business of transporting persons or property  
 25 for compensation or hire;

26 (q) One and one-half cents (\$0.015) per one hundred dollars (\$100) of assessed  
 27 value on federally documented vessels not used in the business of transporting

- 1 persons or property for compensation or hire, or for other commercial  
2 purposes; and
- 3 (r) Forty-five cents (\$0.45) upon each one hundred dollars (\$100) of value of all  
4 other property directed to be assessed for taxation shall be paid by the owner  
5 or person assessed, except as provided in KRS 132.030, 132.200, 136.300,  
6 and 136.320, providing a different tax rate for particular property.
- 7 (2) Notwithstanding subsection (1)(a) of this section, the state tax rate on real property  
8 shall be reduced to compensate for any increase in the aggregate assessed value of  
9 real property to the extent that the increase exceeds the preceding year's assessment  
10 by more than four percent (4%), excluding:
- 11 (a) The assessment of new property as defined in KRS 132.010(8);  
12 (b) The assessment from property which is subject to tax increment financing  
13 pursuant to KRS Chapter 65; and  
14 (c) The assessment from leasehold property which is owned and financed by a  
15 tax-exempt governmental unit, or tax-exempt statutory authority under the  
16 provisions of KRS Chapter 103 and entitled to the reduced rate of one and  
17 one-half cents (\$0.015) pursuant to subsection (1)(b) of this section. In any  
18 year in which the aggregate assessed value of real property is less than the  
19 preceding year, the state rate shall be increased to the extent necessary to  
20 produce the approximate amount of revenue that was produced in the  
21 preceding year from real property.
- 22 (3) By July 1 each year, the department shall compute the state tax rate applicable to  
23 real property for the current year in accordance with the provisions of subsection (2)  
24 of this section and certify the rate to the county clerks for their use in preparing the  
25 tax bills. If the assessments for all counties have not been certified by July 1, the  
26 department shall, when either real property assessments of at least seventy-five  
27 percent (75%) of the total number of counties of the Commonwealth have been

1 determined to be acceptable by the department, or when the number of counties  
2 having at least seventy-five percent (75%) of the total real property assessment for  
3 the previous year have been determined to be acceptable by the department, make  
4 an estimate of the real property assessments of the uncertified counties and compute  
5 the state tax rate.

6 (4) If the tax rate set by the department as provided in subsection (2) of this section  
7 produces more than a four percent (4%) increase in real property tax revenues,  
8 excluding:

9 (a) The revenue resulting from new property as defined in KRS 132.010(8);

10 (b) The revenue from property which is subject to tax increment financing  
11 pursuant to KRS Chapter 65; and

12 (c) The revenue from leasehold property which is owned and financed by a tax-  
13 exempt governmental unit, or tax-exempt statutory authority under the  
14 provisions of KRS Chapter 103 and entitled to the reduced rate of one and  
15 one-half cents (\$0.015) pursuant to subsection (1) of this section;

16 the rate shall be adjusted in the succeeding year so that the cumulative total of each  
17 year's property tax revenue increase shall not exceed four percent (4%) per year.

18 (5) The provisions of subsection (2) of this section notwithstanding, the assessed value  
19 of unmined coal certified by the department after July 1, 1994, shall not be included  
20 with the assessed value of other real property in determining the state real property  
21 tax rate. All omitted unmined coal assessments made after July 1, 1994, shall also  
22 be excluded from the provisions of subsection (2) of this section. The calculated  
23 rate shall, however, be applied to unmined coal property, and the state revenue shall  
24 be devoted to the program described in KRS 146.550 to 146.570, except that four  
25 hundred thousand dollars (\$400,000) of the state revenue shall be paid annually to  
26 the State Treasury and credited to the Department for Energy Development and  
27 Independence for the purpose of public education of coal-related issues.

➔Section 2. KRS 132.028 is amended to read as follows:

(1) Subject to the provisions of KRS 132.027, a city or urban-county government may levy a rate on business inventories equal to or less than the prevailing rate of taxation on other tangible personal property in the respective city or urban-county government.

(2) The tangible personal property tax shall not be levied upon:

(a) The inventories of licensed motor vehicle dealers, including licensed motor vehicle auction dealers; or

(b) Motor vehicles that are in the possession of a licensed motor vehicle dealer, including licensed motor vehicle auction dealers, for sale, although ownership has not been transferred to the dealer~~[, which shall be taxed exclusively under the provisions of KRS 134.800 to 134.830].~~

➔Section 3. KRS 132.200 is amended to read as follows:

All property subject to taxation for state purposes shall also be subject to taxation in the county, city, school, or other taxing district in which it has a taxable situs, except the class of property described in KRS 132.030 and the following classes of property, which shall be subject to taxation for state purposes only:

(1) Farm implements and farm machinery owned by or leased to a person actually engaged in farming and used in his farm operation;

(2) Livestock, ratite birds, and domestic fowl;

(3) Capital stock of savings and loan associations;

(4) Machinery actually engaged in manufacturing, products in the course of manufacture, and raw material actually on hand at the plant for the purpose of manufacture. The printing, publication, and distribution of a newspaper or operating a job printing plant shall be deemed to be manufacturing;

(5) (a) Commercial radio, television, and telephonic equipment used to receive, capture, produce, edit, enhance, modify, process, store, convey, or transmit

- 1 audio or video content or electronic signals which are broadcast over the air;
- 2 (b) Equipment directly used or associated with the equipment identified in
- 3 paragraph (a) of this subsection, including radio and television towers used to
- 4 transmit or facilitate the transmission of the signal broadcast, but excluding
- 5 telephone and cellular communications towers; and
- 6 (c) Equipment used to gather or transmit weather information;
- 7 (6) Unmanufactured agricultural products. They shall be exempt from taxation for state
- 8 purposes to the extent of the value, or amount, of any unpaid nonrecourse loans
- 9 thereon granted by the United States government or any agency thereof, and except
- 10 that cities and counties may each impose an ad valorem tax of not exceeding one
- 11 and one-half cents (\$0.015) on each one hundred dollars (\$100) of the fair cash
- 12 value of all unmanufactured tobacco and not exceeding four and one-half cents
- 13 (\$0.045) on each one hundred dollars (\$100) of the fair cash value of all other
- 14 unmanufactured agricultural products, subject to taxation within their limits that are
- 15 not actually on hand at the plants of manufacturing concerns for the purpose of
- 16 manufacture, nor in the hands of the producer or any agent of the producer to whom
- 17 the products have been conveyed or assigned for the purpose of sale;
- 18 (7) All privately owned leasehold interest in industrial buildings, as defined under KRS
- 19 103.200, owned and financed by a tax-exempt governmental unit, or tax-exempt
- 20 statutory authority under the provisions of KRS Chapter 103, except that the rate
- 21 shall not apply to the proportion of value of the leasehold interest created through
- 22 any private financing;
- 23 (8) Property which has been certified as a pollution control facility as defined in KRS
- 24 224.01-300;
- 25 (9) Property which has been certified as an alcohol production facility as defined in
- 26 KRS 247.910;
- 27 (10) On and after January 1, 1977, the assessed value of unmined coal shall be included



- 1 in the formula contained in KRS 132.590(9) in determining the amount of county  
 2 appropriation to the office of the property valuation administrator;
- 3 (11) Tangible personal property located in a foreign trade zone established pursuant to  
 4 19 U.S.C. sec. 81, provided that the zone is activated in accordance with the  
 5 regulations of the United States Customs Service and the Foreign Trade Zones  
 6 Board;
- 7 (12) Motor vehicles qualifying for permanent registration as historic motor vehicles  
 8 under the provisions of KRS 186.043. However, nothing herein shall be construed  
 9 to exempt historical motor vehicles from the usage tax imposed by KRS 138.460;
- 10 (13) Property which has been certified as a fluidized bed energy production facility as  
 11 defined in KRS 211.390;
- 12 (14) All motor vehicles:
- 13 (a) Held for sale in the inventory of a licensed motor vehicle dealer, including  
 14 motor vehicle auction dealers, which are not currently titled and registered in  
 15 Kentucky and are held on an assignment pursuant to the provisions of KRS  
 16 186A.230;
- 17 (b) That are in the possession of a licensed motor vehicle dealer, including  
 18 licensed motor vehicle auction dealers, for sale, although ownership has not  
 19 been transferred to the dealer;~~[-]~~ and
- 20 (c) ~~[All motor vehicles]~~ With a salvage title held by an insurance company;
- 21 (15) Machinery or equipment owned by a business, industry, or organization in order to  
 22 collect, source separate, compress, bale, shred, or otherwise handle waste materials  
 23 if the machinery or equipment is primarily used for recycling purposes as defined in  
 24 KRS 139.010;
- 25 (16) New farm machinery and other equipment held in the retailer's inventory for sale  
 26 under a floor plan financing arrangement by a retailer, as defined under KRS  
 27 365.800;

- 1 (17) New boats and new marine equipment held for retail sale under a floor plan  
2 financing arrangement by a dealer registered under KRS 235.220;
- 3 (18) Aircraft not used in the business of transporting persons or property for  
4 compensation or hire if an exemption is approved by the county, city, school, or  
5 other taxing district in which the aircraft has its taxable situs;
- 6 (19) Federally documented vessels not used in the business of transporting persons or  
7 property for compensation or hire or for other commercial purposes, if an  
8 exemption is approved by the county, city, school, or other taxing district in which  
9 the federally documented vessel has its taxable situs;
- 10 (20) Any nonferrous metal that conforms to the quality, shape, and weight specifications  
11 set by the New York Mercantile Exchange's special contract rules for metals, and  
12 which is located or stored in a commodity warehouse and held on warrant, or for  
13 which a written request has been made to a commodity warehouse to place it on  
14 warrant, according to the rules and regulations of a trading facility. In this  
15 subsection:
- 16 (a) "Commodity warehouse" means a warehouse, shipping plant, depository, or  
17 other facility that has been designated or approved by a trading facility as a  
18 regular delivery point for a commodity on contracts of sale for future delivery;  
19 and
- 20 (b) "Trading facility" means a facility that is designated by or registered with the  
21 federal Commodity Futures Trading Commission under 7 U.S.C. secs. 1 et  
22 seq. "Trading facility" includes the Board of Trade of the City of Chicago, the  
23 Chicago Mercantile Exchange, and the New York Mercantile Exchange;
- 24 (21) Qualifying voluntary environmental remediation property for a period of three (3)  
25 years following the Energy and Environment Cabinet's issuance of a No Further  
26 Action Letter or its equivalent, pursuant to the correction of the effect of all known  
27 releases of hazardous substances, pollutants, contaminants, petroleum, or petroleum

products located on the property consistent with a corrective action plan approved by the Energy and Environment Cabinet pursuant to KRS 224.01-400, 224.01-405, or 224.60-135, and provided the cleanup was not financed through a public grant program of the petroleum storage tank environmental assurance fund; and

(22) Biotechnology products held in a warehouse for distribution by the manufacturer or by an affiliate of the manufacturer. For the purposes of this section:

(a) "Biotechnology products" means those products that are applicable to the prevention, treatment, or cure of a disease or condition of human beings and that are produced using living organisms, materials derived from living organisms, or cellular, subcellular, or molecular components of living organisms. Biotechnology products does not include pharmaceutical products which are produced from chemical compounds;

(b) "Warehouse" includes any establishment that is designed to house or store biotechnology products, but does not include blood banks, plasma centers, or other similar establishments; and

(c) "Affiliate" means an individual, partnership, or corporation that directly or indirectly owns or controls, or is owned or controlled by, or is under common ownership or control with, another individual, partnership, or corporation.

➔Section 4. KRS 134.810 is amended to read as follows:

(1) All state, county, city, urban-county government, school, and special taxing district ad valorem taxes shall be due and payable on or before the earlier of the last day of the month in which registration renewal is required by law for a motor vehicle renewed or the last day of the month in which a vehicle is transferred.

(2) All state, county, city, urban-county government, school, and special taxing district ad valorem taxes due on motor vehicles shall become delinquent following the earlier of the end of the month in which registration renewal is required by law or the last day of the second calendar month following the month in which a vehicle

1 was transferred.

2 (3) Any taxes which are paid within thirty (30) days of becoming delinquent shall be  
 3 subject to a penalty of three percent (3%) on the taxes due. However, this penalty  
 4 shall be waived if the tax bill is paid within five (5) days of the tax bill being  
 5 declared delinquent. Any taxes which are not paid within thirty (30) days of  
 6 becoming delinquent shall be subject to a penalty of ten percent (10%) on the taxes  
 7 due. In addition, interest at an annual rate of fifteen percent (15%) shall accrue on  
 8 said taxes and penalty from the date of delinquency. A penalty or interest shall not  
 9 accrue on a motor vehicle under dealer assignment pursuant to KRS 186A.220.

10 (4) When a motor vehicle has been transferred before registration renewal or before  
 11 taxes due have been paid, the owner pursuant to KRS 186.010(7)(a) and (c) on  
 12 January 1 of any year shall be liable for the taxes on the motor vehicle, except as  
 13 hereinafter provided.

14 (5) If an owner obtains a certificate of registration for a motor vehicle valid through the  
 15 last day of his second birth month following the month and year in which he applied  
 16 for a certificate of registration, all state, county, city, urban-county government,  
 17 school, and special tax district ad valorem tax liabilities arising from the assessment  
 18 date following initial registration shall be due and payable on or before the last day  
 19 of the first birth month following the assessment date or date of transfer, whichever  
 20 is earlier. Any taxes due under the provisions of this subsection and not paid as set  
 21 forth above shall be considered delinquent and subject to the same interest and  
 22 penalties found in subsection (3) of this section.

23 (6) For purposes of the state ad valorem tax only, all motor vehicles:

24 (a) Held for sale by a licensed *motor vehicle*[Kentucky] dealer, *including*  
 25 *licensed motor vehicle auction dealers;*

26 (b) *That are in the possession of a licensed motor vehicle dealer, including*  
 27 *licensed motor vehicle auction dealers, for sale, although ownership has not*

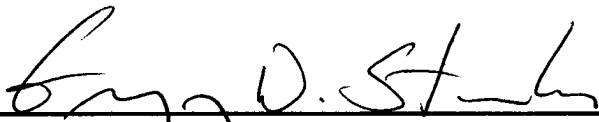
1           been transferred to the dealer; and


2           (c) ~~{all motor vehicles}~~ With a salvage title held by an insurance company;  
 3           on January 1 of any year shall not be taxed as a motor vehicle pursuant to KRS  
 4           132.485 but shall be subject to ad valorem tax as goods held for sale in the regular  
 5           course of business under the provisions of KRS 132.020(1)~~(n)~~~~{(m)}~~ and 132.220.

6       (7) Any provision to the contrary notwithstanding, when any ad valorem tax on a motor  
 7           vehicle becomes delinquent, the state and each county, city, urban-county  
 8           government, or other taxing district shall have a lien on all motor vehicles owned or  
 9           acquired by the person who owned the motor vehicle at the time the tax liability  
 10          arose. A lien for delinquent ad valorem taxes shall not attach to any motor vehicle  
 11          transferred while the taxes are due on that vehicle. For the purpose of delinquent ad  
 12          valorem taxes on leased vehicles only, a lien on a leased vehicle shall not be  
 13          attached to another vehicle owned by the lessor.

14       (8) The lien required by subsection (7) of this section shall be filed and released by the  
 15           automatic entry of appropriate information in the AVIS database. For the filing and  
 16           release of each lien or set of liens arising from motor vehicle ad valorem property  
 17           tax delinquency, a fee of two dollars (\$2) pursuant to this section shall be added to  
 18           the delinquent tax account. The fee shall be collected and retained by the county  
 19           clerk who collects the delinquent tax.

20       (9) The implementation of the automated lien system provided in this section shall not  
 21          affect the manner in which commercial liens are recorded or released.

  
\_\_\_\_\_  
Speaker-House of Representatives

  
\_\_\_\_\_  
President of Senate

Attest:   
\_\_\_\_\_  
Chief Clerk of House of Representatives

Approved   
\_\_\_\_\_  
Governor

Date 3-22-13